

# **EXHIBIT 2**

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## Central Government Act

### The Air Corporations Act, 1953

The Air Corporations Act, 1953

#### 1. Short title and commencement.—

(1) This Act may be called the Air Corporations Act, 1953.

(2) It shall come into force on such date<sup>1</sup> as the Central Government may, by notification in the Official Gazette, appoint.

The Air Corporations Act, 1953

#### 2. Definitions.—In this Act, unless the context otherwise requires,—

(i) “aircraft” means any machine which can derive support in the atmosphere from reactions of the air and includes balloons, whether fixed or free, airships, kites, gliders and flying machines;

(ii) “air transport service” means a service for the transport by air of persons, mails or any other thing, animate or inanimate, for any kind of remuneration whatsoever, whether such service consists of a single flight or a series of flights;

(iii) “associate” in relation to either of the corporations means any subsidiary of the corporation or any person with whom the corporation has made an agreement in accordance with clause (h) of sub-section (2) of section 7;

(iv) “Corporations” means “Indian Airlines” and “Air India International” established under section 3, and “Corporation” means either of the Corporations;

(v) the expression “existing air companies” means the Air India Ltd., the Air Services of India Ltd., the Airways (India) Ltd., the Bharat Airways Ltd., the Deccan Airways Ltd., the Himalayan Aviation Ltd., the Indian National Airways Ltd., the Kalinga Airlines and the Air India International Ltd., and “existing air company” means any of the existing air companies;

(vi) “prescribed” means prescribed by rules made under this Act;

(vii) “regulations” means regulations made by either of the corporations under section 45;

(viii) “scheduled air transport service” means an air transport service undertaken between the same two or more places and operated according to a published time table or with flights so regular or frequent that they constitute a recognisably systematic series, each flight being open to use by members of the public;

(ix) “Tribunal” means the Tribunal constituted under section 25.

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3. Incorporation of the Corporations.—

(1) With effect from such date as the Central Government may, by notification in the Official Gazette, appoint, there shall be established two Corporations to be known as “Indian Airlines” and “Air India International”.\*

(2) Each of the Corporations aforesaid shall be a body corporate having perpetual succession and a common seal with power, subject to the provisions of this Act, to acquire and hold property, and may by its name sue and be sued.

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4. Constitution of the Corporations.—1[

(1) The general superintendence, direction and management of the affairs and business of each of the Corporations shall vest in a Board of directors which may exercise all such powers and do all such acts and things as may be exercised or done by the Corporation under this Act.

(1A) The Board of directors shall consist of a Chairman to be appointed by the Central Government, and not less than eight and not more than fourteen other directors to be appointed by the Central Government and the Chairman or any other director may be required to render whole-time or part-time service as the Central Government may direct: Provided that—

(a) the same person may be appointed to be the Chairman of both the Corporations or Chairman of one and director of the other;

(b) the same persons may be appointed to be directors of both the Corporations.]

(2) Before appointing a person to be a 1[director] of either of the Corporations, the Central Government shall satisfy itself that person will have no such financial or other interest as is likely to affect prejudicially the exercise or performance by him of his functions as a 1[director] of the Corporation and the Central Government shall also satisfy itself from time to time with respect to every 1[director] of the Corporation that he has no such interest; and any person who is, or whom the Central Government proposes to appoint and who has consented to be 1[director] of the Corporation shall, whenever required by the Central Government so to do, furnish to it such information as the Central Government considers necessary for the performance of its duties under this sub-section.

(3) A 1[director] of either of the Corporations who is in any way directly or indirectly interested in a contract made or proposed to be made by the Corporation, or in any contract made or proposed to be made by an associate of the Corporation which is brought up for consideration by the Corporation, shall, as soon as possible after the relevant circumstances have come to his knowledge, disclose the nature of his interest at a meeting of the Corporation; and the disclosure shall be recorded in the minutes of the Corporation, and the 1[director] shall not take any part after the disclosure in any deliberation or decision of the Corporation with respect to that contract.

(4) During the temporary absence of the Chairman of either of the Corporation, the Central Government may appoint another person, whether a 1[director] of the Corporation or not, to act as the Chairman.

(5) Save as otherwise provided in this section, nothing contained in this Act shall be deemed to disqualify the 1[managing director] of either of the Corporations from being appointed to be a 1[director] thereof.

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5. Conditions of service of 1[directors].—

(1) The Chairman and other 2[directors] of each of the Corporations shall ordinarily be entitled to hold office for the period specified in the order of appointment, unless the appointment is

(i) with the previous approval of the Central Government, to determine and levy fares and freight rates and other charges for or in respect of the carriage of passengers and goods on air transport services operated by it; 1[(ii) to make such grants as it thinks fit as contribution or donation, in furtherance of the interests of the Corporation, to any fund established for a benevolent or charitable purpose: Provided that nothing in this clause shall be construed as empowering the Corporation to make any such grant to any political party or for any political purpose to any individual or body;]

(j) to take such steps as are calculated to extend the air transport services provided by the Corporation, whether within or without India, including the development of feeder services and the improvement of the types of aircraft used in air transport services;

(k) to take such steps as are calculated to promote the interests of the Corporation or to improve the services the Corporation may provide, 2[including provisions of catering, hotels, restaurants, rest-rooms], goods-sheds, warehouses and transport by land or water in connection with any air transport service or any other amenity or facility; 3[(kk) to form one or more companies under the Companies Act, 1956 (1 of 1956) to further the efficient performance of its duties and the exercise of its powers under this Act: Provided that the paid up share capital of every company so formed shall be held exclusively by the Corporation;]

(l) to take all such steps as may be necessary or convenient for, or may be incidental to, the exercise of any power, or the discharge of any function or duty conferred or imposed on it by this Act.

(3) Nothing contained in this section shall be construed as—

(a) authorising the disregard by the Corporation of any law for the time being in force, or

(b) authorising any person to institute any proceeding in respect of a duty or liability to which either of the Corporations or its employees would not otherwise be subject.

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#### 8. Appointment of officers and other employees of the Corporations.—

(1) For the purpose of enabling it efficiently to discharge its functions under this Act each of the Corporations shall appoint a 1[managing director] and, subject to such rules as may be prescribed in this behalf, may also appoint such number of other officers and employees as it may think necessary: Provided that the appointment of the 1[managing director] and such other categories of officers as may be specified after consultation with the Chairman in such rules shall be subject to the approval of the Central Government.

(2) Subject to the provisions of section 20, every person employed by each of the Corporations shall be subject to such conditions of service and shall be entitled to such remuneration and privileges as may be determined by regulations made by the Corporation by which he is employed.

(3) Neither the 1[managing director] nor such other employee of either of the Corporations as may be specified in this behalf by the Central Government shall, during his service in the Corporation, be employed in any capacity whatsoever or directly or indirectly have any interest in any air transport undertaking other than an undertaking of either of the Corporations, or in any other undertaking which is interested in any contract with either of the Corporations.

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#### 9. Corporations to act on business principles.—In carrying out any of the duties vested in it by this Act, each of the Corporations shall act so far as may be on business principles.

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10. Capital of the Corporations.—

(1) All non-requiring expenditure incurred by the Central Government for, or in connection with, each of the Corporations up to the date of establishment of that Corporation and declared to be capital expenditure by that Government, shall be treated as capital provided by the Central Government to that Corporation.

(2) The Central Government may provide any further capital that may be required by either of the Corporations for the carrying on of the business of the Corporation or for any purpose connected therewith on such terms and conditions as the Central Government may determine.

(3) Each of the Corporations may, with the consent of the Central Government, or in accordance with the terms of any general authority given to it by the Central Government—

(a) borrow money for all or any of the purposes of the Corporation, and

(b) secure the payment of any money borrowed by it or any interest thereon by the issue of bonds, debentures, debenture-stock or any mortgage or charge or other security on the undertaking of the Corporation or any part of it or on any of its properties.

The Air Corporations Act, 1953

11. Vesting of properties in the Corporations.—All properties, assets and funds owned or acquired by the Central Government for the purpose of Indian Airlines or, as the case may be, Air-India International before the establishment of those Corporations shall, on such establishment, vest in the Corporation concerned.

The Air Corporations Act, 1953

12. Funds of the Corporations.—

(1) Each of the Corporations shall have its own funds and all receipts of the Corporation shall be carried thereto and all payments for the Corporation shall be made therefrom.

(2) Each of the Corporations may keep in 1[account] with any scheduled bank as defined in section 2 of the Reserve Bank of India Act, 1934 (2 of 1934) or in any other bank approved by the Central Government in this behalf a sum of money not exceeding such amount as may be prescribed, but any moneys in excess of the said sum shall be deposited in the Reserve Bank of India or with the agents of the Reserve Bank of India or invested in such manner as may be approved by the Central Government.

The Air Corporations Act, 1953

13. Powers of the Corporations in regard to expenditure.—Each of the Corporations shall have power, subject to the provisions of this Act, to spend such sums as it thinks fit on objects or for purposes authorised by this Act and such sum shall be treated as expenditure out of the funds of that Corporation.

The Air Corporations Act, 1953

14. Corporation to assume obligations of Central Government in respect of certain matters.—All obligations incurred, all contracts entered into and all matters and things engaged to be done by, with, or for the Central Government for any of the purposes of this Act before the establishment of either of the Corporations shall be deemed to have been incurred, entered into or engaged to be done by, with or for Indian Airlines or, as the case may be, Air India International according as the obligations, contracts, matters and things relate to the purposes of the former Corporation or the latter.

The Air Corporations Act, 1953

15. Accounts and audit.—

- (1) The Corporations shall maintain proper accounts and other relevant records and prepare an annual statement of accounts, including the profit and loss account and the balance sheet in such form as may be prescribed by the Central Government in consultation with the Comptroller and Auditor-General of India.
- (2) The accounts of the Corporations shall be audited annually by the Comptroller and Auditor-General of India and any expenditure incurred by him in connection with such audit shall be payable by the Corporations to the Comptroller and Auditor-General of India.
- (3) The Comptroller and Auditor-General of India and any person appointed by him in connection with the audit of the accounts of the Corporations shall have the same rights and privileges and authority in connection with such audit as the Comptroller and Auditor-General has in connection with the audit of Government accounts and in particular, shall have the right to demand the production of books, accounts, connected vouchers and other documents and papers and to inspect any of the offices of the Corporations.
- (4) The accounts of the Corporations as certified by the Comptroller and Auditor-General of India or any other person appointed by him in this behalf together with the audit report thereon shall be forwarded annually to the Central Government and that Government shall cause the same to be laid before both Houses of Parliament.

The Air Corporations Act, 1953

1[15A. Audit of accounts of companies formed by Corporations.—

- (1) Notwithstanding anything contained in the Companies Act, 1956 (1 of 1956), the auditor of any company formed by either of the Corporations under clause (kk) of sub-section (2) of section 7 shall be appointed or re-appointed by the Corporation concerned on the advice of the Comptroller and Auditor-General of India.
- (2) Save as otherwise provided in sub-section (1), in addition to the provisions contained in the Companies Act, 1956 (1 of 1956), relating to the audit of the accounts of any company, the following provisions shall apply to the audit of the accounts of any company referred to in sub-section (1), namely:—
  - (i) the Comptroller and Auditor-General of India shall have power to conduct a supplementary or test audit of the company's accounts by such person or persons as he may authorise in this behalf; and for the purposes of such audit to require information to be furnished to any person or persons so authorised, on such matters, by such person or persons and in such form as the Comptroller and Auditor-General may, by general or special order, direct;
  - (ii) the auditor appointed or re-appointed under sub-section (1) shall submit a copy of his audit report to the Comptroller and Auditor-General of India who shall have the right to comment upon, or supplement, the audit report in such manner as he may think fit;
  - (iii) any such comments upon, or supplement to, the audit report shall be placed before the annual general meeting of the company at the same time and in the same manner as the audit report.]

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16. Undertakings of existing air companies to vest in the Corporation.—On such date as the Central Government may, by notification in the Official Gazette, appoint (hereinafter referred to as “the appointed date”), there shall be transferred to and vest in—

- (a) Indian Airlines, the undertakings of all the existing air companies (other than Air India International Ltd.), and
- (b) Air India International, the undertaking of the Air India International Ltd.

The Air Corporations Act, 1953

17. General effect of vesting of undertakings in the Corporations.—

(1) The undertaking of each of the existing air companies which is transferred to and which vests in either of the Corporations under section 16 shall, subject to the provisions of section 22, be deemed to include all assets, rights, powers, authorities and privileges and all property, movable and immovable, including lands, works, workshops, aircraft, cash balances, reserve funds, investments and book debts and all other rights and interests arising out of such property as were immediately before the appointed date in the ownership, possession or power of the existing air company in relation to the undertaking, whether within or without India, and all books of account and documents relating thereto, and, subject to the provisions contained in section 22, shall also be deemed to include all borrowings, liabilities and obligations of whatever kind then subsisting of the existing air company in relation to the undertaking.

(2) Any lands, works, aircraft, assets or other property vesting in the Corporation under sub-section (1) shall by force of such vesting be freed and discharged from all trusts, obligations, mortgages, charges, liens and other encumbrances affecting it, and any attachment, injunction or any other order of a court restricting the use of such property in any manner shall be deemed to have been withdrawn.

(3) Subject to the other provisions contained in this Act, all contracts and working arrangements which are subsisting immediately before the appointed date and affecting any of the existing air companies shall, in so far as they relate to the undertaking of that company, cease to have effect or be enforceable against that company or any person who was surety or had guaranteed the performance thereof, and shall be of as full force and effect against or in favour of the Corporation in which the undertaking has vested by virtue of this Act and enforceable as fully and effectually as if, instead of the company, the Corporation had been named therein or had been a party thereto.

(4) Subject to the other provisions contained in this Act, any proceeding or cause of action pending or existing immediately before the appointed date by or against any of the existing air companies in relation to its undertaking may as from that date be continued and enforced by or against the Corporation in which it has vested by virtue of this Act as it might have been enforced by or against that company if this Act had not been passed, and shall cease to be enforceable by or against that company, its surety or guarantor.

The Air Corporations Act, 1953

18. Reservation of scheduled air transport services to the Corporations.—

(1) After the appointed date, it shall not be lawful for any person other than the Corporations or their associates to operate any scheduled air transport service from, to, in or across India: Provided that nothing in this section shall restrict the right of any person,—

(a) for the purpose of any air transport undertaking of which the principal place of business is in any country outside India, to operate an air transport service, in accordance with the terms of any agreement for the time being in force between the Government of India and the Government of that country; or

(b) to carry passengers for the sole purpose of instructing them in flying or on duties of aircrews; or

(c) to carry passengers or goods for the sole purpose of providing an air ambulance service or a rescue or relief service during any natural calamity; or

(d) to carry passengers or goods for the sole purpose of providing joy rides consisting of flights operated from and to the same aerodrome or place without any intermediate landing or for the

purpose of aerial survey, fire fighting, crop-dusting, locust control or any other aerial work of a similar nature; 1[or] 1[(e) to operate, with the previous permission of the Central Government for such period and subject to such terms and conditions as that Government may determine, any scheduled air transport service as aforesaid which is not provided by either of the Corporations or their associates.]

(2) Any person who operates a scheduled air transport service in contravention of the provisions of this section shall be liable in respect of each offence to a fine which may extend to one thousand rupees, or to imprisonment which may extend to three months, or to both. Explanation.—The operation of each flight shall constitute a separate offence for the purposes of this section.

The Air Corporations Act, 1953

19. Licences to cease to be valid.—With effect from the appointed date, all licences granted under the Indian Aircraft Act, 1934 (22 of 1934) or under the rules made thereunder for the operation of scheduled air transport services shall cease to be valid.

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20. Provisions respecting officers and employees of existing air companies.—

(1) Every officer or other employee of an existing air company (except a director, managing agent, manager or any other person entitled to manage the whole or a substantial part of the business and affairs of the company under a special agreement) employed by that company prior to the first day of July, 1952, and still in its employment immediately before the appointed date shall, in so far as such officer or other employee is employed in connection with the undertaking which has vested in either of the Corporations by virtue of this Act, become as from the appointed date an officer or other employee as the case may be, of the Corporation in which the undertaking has vested and shall hold his office or service therein by the same tenure, at the same remuneration and upon the same terms and conditions and with the same rights and privileges as to pension and gratuity and other matters as he would have held the same under the existing air company if its undertaking had not vested in the Corporation and shall continue to do so unless and until his employment in the Corporation is terminated or until his remuneration, terms or conditions are duly altered by the Corporation: Provided that nothing contained in this section shall apply to any officer or other employee who has, by notice in writing given to the Corporation concerned prior to such date as may be fixed by the Central Government by notification in the Official Gazette, intimated his intention of not becoming an officer or other employee of the Corporation.

(2) Notwithstanding anything contained in sub-section (1) the Central Government may direct either of the Corporations in which the undertaking of any existing air company has vested to take into its employment any officer or other employee who was employed by the existing air company prior to the first day of July, 1952, and who has been discharged from service in that company on or after the said date for reasons which, in the opinion of the Central Government, appear to be inadequate for the purpose, and where the Central Government issues any such direction, the provisions of sub-section (1) shall apply to such officer or other employee as they apply to any officer or other employee referred to therein.

(3) As from the appointed date the trustees of the provident funds and pension funds or pension schemes of each of the existing air companies shall transfer to the Corporation concerned the balances lying to the credit of each of the employees whose services have been transferred to that Corporation by virtue of this Act and also all other balances of the funds or schemes as shall remain after satisfying all demands and liabilities, and thereupon the trustees shall be discharged of the trusts by virtue of this Act.

(4) Notwithstanding anything contained in this Act or in the Indian Companies Act, 1913 (7 of 1913) or in any other law for the time being in force or in any agreement entered into by an existing

(3) The Council shall, if so required by the Central Government, tender advice to that Government in regard to financial and economic analysis, accounting, costing and statistical techniques and financial reporting relating to air transport and, in particular, advise in regard to the matters specified in the proviso to sub-section (2) of section 34.

(4) The Central Government, after taking any recommendation made by the Air Transport Council under this section into consideration, may issue such directions in the matter as it thinks fit and such directions shall be binding on the Corporation concerned.

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32. Staff of the Council.—The Council shall have a Secretary and such other employees as the Central Government may appoint, and the expenditure on the staff and other charges of the Council shall be borne by the Central Government.

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33. Proceedings of the Council.—

(1) The Council shall regulate its own procedure.

(2) No proceeding of the Council shall be deemed to be invalid by reason merely of any vacancy in, or any defect in the constitution of, the Council.

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34. Power of Central Government to give directions.—

(1) The Central Government may give to either of the Corporations directions as to the exercise and performance by the Corporation of its functions, and the Corporation shall be bound to give effect to any such directions.

(2) The Central Government may, if it is of opinion that it is expedient in the national interest so to do, after consultation with the Corporation concerned, direct either of the Corporations—

(a) to undertake any air transport service or other activity which the Corporation has power to undertake;

(b) to discontinue or make any change in any scheduled air transport service or other activity which it is operating or carrying on;

(c) not to undertake any activity which it proposes to do: Provided that, if at the direction of the Central Government, the Corporation establishes, alters or continues to maintain an air transport service or other activity and satisfies the Central Government that during the relevant financial year the Corporation has suffered on over-all loss in respect of the operation of all its air transport services and of all its other activities and also that the service or activity so established, altered or continued to be maintained in compliance with the directions of the Central Government as aforesaid has been operated at a loss in any financial year, then the Central Government shall reimburse the Corporation to the extent of the loss relatable to the operation of that particular service or activity.

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35. Prior approval of Central Government necessary in certain cases.—Neither Corporation shall, without the previous approval of the Central Government—

(a) undertake any capital expenditure for the purchase or acquisition of any immovable property or aircraft or any other thing at a cost exceeding 1[such amount as the Central Government may, from time to time, by order, fix in the behalf];

(b) enter into a lease of any immovable property for a period exceeding 2[ten years]; or

(c) in any manner dispose of any property, right or privilege having an original or book value exceeding 1[such amount as the Central Government may, from time to time, by order, fix in this behalf].

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36. Submission of programme of work for each year.—

(1) Each of the Corporations shall prepare and submit to the Central Government, not less than 1[two months] before the commencement of the financial year of the Corporation a statement showing the programme of operation and development of air transport services to be operated by the Corporation and its associates during the forthcoming financial year and its other activities as well as its financial estimates in respect thereof, including any proposed investment of capital and increase in the strength of its total staff.

(2) If, during any financial year, either of the Corporations engages or proposes to engage in any air transport service or ancillary activity in addition to those specified in the programme previously submitted under sub-section (1) and a substantial alteration of the financial estimates is likely to be involved thereby, the Corporation shall submit to the Central Government for approval a supplementary programme of such service or activity and a supplementary estimate of the expenditure and revenue to be incurred and received by the Corporation in respect thereof during the remainder of that period: Provided that, to meet any unexpected traffic demand or other special situation, either of the Corporations may undertake any additional service or other ancillary activity not specified in the programme submitted under sub-section (1) or sub-section (2) and subsequently submit a report on the matter to the Central Government in the prescribed manner.

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37. Submission of Annual Reports to Parliament.—

(1) Each of the Corporations shall, as soon as may be after the end of each financial year prepare and submit to the Central Government in such form as may be prescribed a report giving an account of its activities during the previous financial year, and the report shall also give an account of the activities, if any, which are likely to be undertaken by the Corporation during the next financial year.

(2) The Central Government shall cause every such report to be laid before both Houses of Parliament as soon as may be after it is submitted.

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38. Corporations to act in mutual consultation.—It shall be the duty of each of the Corporations to enter into consultations with the other in matters of common interest to the two Corporations including, in particular, the operation of scheduled air transport services, the routes on which such services should be operated by each of the Corporations, the frequency of such services, the passenger fares and freight rates to be charged, the measures of economy to be adopted, the provision of any services in regard to overhaul and maintenance of aircraft or any other matter falling within the scope of the functions of either of the Corporations, and, generally, in regard to ensuring the fullest co-operation and co-ordination in respect of all such matters.

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39. Transfer of scheduled air transport services or assets from one Corporation to the other.—The Central Government may, for the purpose of improving the air transport services provided by either of the Corporations or for effecting better co-ordination in respect of such services, direct that with effect from such date as may be specified in the direction and subject to such conditions as may be similarly specified,—

(a) any scheduled air transport service operated by one Corporation shall no longer be operated by that Corporation but shall be operated by the other Corporation, and

(b) any property belonging to one Corporation shall be transferred to the other Corporation.

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40. Corporations may delegate their powers.—

(1) Each of the Corporations may appoint a Committee or Committees consisting of some or any of its 1[directors] with or without the addition of any officer or employee of the Corporation and delegate any of the functions and powers of the Corporation to such Committee or Committees and may limit the exercise of such delegated authority to any specified area.

(2) Either of the Corporations may, in relation to any particular matter or class of matters or to any particular area, by general or special order, direct that any of its officers or other employees may also exercise all or any of its powers under this Act (except the powers given to it by this section) to the extent to which the Corporation deems it necessary for the efficient running of its day-to-day administration.

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41. Advisory and Labour Relations Committees.—1[\*\*\*] 1[\*\*\*] Each of the Corporations shall constitute in the prescribed manner a Labour Relations Committee consisting of representatives of the Corporations and of its employees, so however, that the number of representatives of the employees on the Committee shall not be less than the number of representatives of the Corporation, and it shall be the duty of the Labour Relations Committee to advise the Corporation on matters which relate to the welfare of the employees or which are likely to promote and secure amity and good relations between the two.

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42. Meetings of the Corporation.—

(1) Meetings of the Corporation shall be held at such times and places and, subject to sub-sections (2) and (3), the proceedings of the Corporation shall be conducted in such manner as may be provided by the regulations.

(2) The Chairman or in his absence any person chosen by the 1[directors] present from amongst themselves shall preside at the meeting.

(3) At a meeting of the Corporation all questions shall be decided by a majority of votes of the 1[directors] present, and for this purpose, each 1[director] shall have one vote and in the case of equality of votes the Chairman or, in his absence, the person presiding at the meeting shall have a second or casting vote.

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43. Penalty for wrongful withholding of property.—If a director, managing agent, manager or other officer or employee of an existing air company who wilfully withholds or fails to deliver to the Corporation as required by sub-section (2) of section 21 any books, documents or papers which may be in his possession or who wrongfully obtains possession of any property of any such company which has vested in either of the Corporations under this Act or having any such property in his possession wrongfully withholds it from the Corporation or wilfully applies it to purposes other than those expressed in, or authorised by, this Act shall, on the complaint of the Corporation concerned, be punishable with fine which may extend to one thousand rupees, and may be ordered by the Court trying the offence to deliver up or refund within a time to be fixed by the Court any such property